

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 INRE-00 USIE-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00

NSC-05 OMB-01 PM-04 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 IO-11 ERDE-00 NEA-10 /108 W

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC IMMEDIATE 2825

INFO AMEMBASSY LONDON

USMISSION OECD PARIS

AMCONSUL ADANA

AMCONSUL ISTANBUL

AMCONSUL IZMIR

C O N F I D E N T I A L ANKARA 2051

E.O.11652: GDS

TAGS: BGEN, ENRG, TU

SUBJECT: PETROLEUM: NEW CRISIS DEVELOPING FOR MOBIL COMPANY
ON PRICE ISSUE

REF: A) 75 ISTANBUL 1268, (B) 75 ISTANBUL 1356, (C) 75
ANKARA 3522, (D) 75 ANKARA 3680, (E) 75 ANKARA 3724

1. MOBIL REPRESENTATIVE FOR TURKEY, MARK CASANOVA,
INFORMED ECONOMIC/COMMERCIAL COUNSELOR MARCH 16 THAT NEW
CRISIS IS FAST APPROACHING BECAUSE OF CONTINUED REFUSAL
OF GOT TO PAY REALISTIC PRICE FOR CRUDE IMPORTED BY MOBIL
(BP IS IN SIMILAR SITUATION). DEPARTMENT WILL RECALLL
FROM REFTELS THAT EARLIER CRISIS ON SAME PRICE ISSUE WAS
AVERTED IN MAY 1975 (ONLY A FEW DAYS BEFORE
GOT-IMPOSED DEADLINE BY AN AGREEMENT UNDER WHICH MOBIL
AND BP RESUMED IMPORTATION OF CRUDE INTO TURKEY. PRICE
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ACCEPTED PROVISIONALLY BY THE COMPANIES AT THAT TIME WAS

TO BE SUBJECT TO FURTHER REVIEW.

2. IN INFORMING ECON COUNSELOR OF LATEST DEVELOPMENTS, CASANOVA REITERATED THAT SOLUTION REACHED IN MAY 1975 STILL DID NOT REPEAT NOT COVER MOBIL'S COSTS ON IMPORTED CRUDE. HOWEVER, MOBIL THEN HAD CONFIDENCE IN DEMIREL GOVERNMENT WHICH HAD TAKEN OFFICE A FEW MONTHS EARLIER. MOBIL HOPED THAT THE NEW GOVERNMENT WOULD AFTER FURTHER REVIEW GIVE COMPANIES A FAIR DEAL. THEREFORE, MOBIL RESUMED IMPORTS AT PROVISIONAL PRICE OF \$10.50 PER BARREL F.O.B. EASTERN MEDITERRANEAN, EVEN THOUGH LOSING THIRTY CENTS PER BARREL AS COSTS (WHICH HAD BEEN FULLY DOCUMENTED FOR GOT) WERE \$10.80. IN OCTOBER 1975, OPEC COUNTRIES INCREASED PRICE BY TEN PER CENT. MOBIL MADE EFFORTS TO GET GOT TO RAISE PRICE TO \$11.90 REFLECTING TRUE COSTS OF ACQUISITION. MOBIL CONTINUED TO IMPORT AT PROVISIONAL PRICE WHICH THEY HOPED WOULD BE INCREASED RETROACTIVELY TO REFLECT PRICE INCREASE AND REAL COSTS. MINISTER OF ENERGY KILIC HOWEVER RECENTLY INFORMED MOBIL (AND BP) THAT GOT WOULD PAY ONLY \$10.80 PER BARREL. CASANOVA SAID MOBIL HAD LOST \$15 MILLION ON CRUDE IMPORTS DURING 1974 BECAUSE OF GOT PRICING POLICY. LATEST DECISION BY MINISTER OF ENERGY MEANS MOBIL WILL LOSE \$10. MILLION ON SHIPMENTS MADE DURING 1975, AND STANDS TO LOSE \$1.5 MILLION PER MONTH ON IMPORTS DURING 1976.

3. CASANOVA SAID BP HAS ALREADY STOPPED IMPORTS OF CRUDE TWO WEEKS AGO. HE WENT TO NEW YORK LAST WEEK TO CONSULT WITH MOBIL OFFICIALS THERE REGARDING ACTION TO BE TAKEN. AS A CONSEQUENCE, MOBIL WILL BRING IN ONE MORE CARGO OF CRUDE THIS WEEK AND WILL THEN STOP IMPORTING UNLESS IT CAN GET FAIR PRICE. WITH THIS CARGO PLUS STOCKS AT ATAS REFINERY AT MERSIN, MOBIL WILL BE ABLE TO OPERATE IN TURKEY FOR APPROXIMATELY ONE MORE MONTH BEFORE CLOSING DOWN.

4. CASANOVA SAID GOT CANNOT GET CRUDE AT PRICE IT IS TRYING TO IMPOSE ON MOBIL AND BP. UNDER AGREEMENT WITH IRAQ RECENTLY CONCLUDED FOR SIX MILLION TONS OF CRUDE TO BE PURCHASED DURING 1976 HE SAID GOT IS PAYING \$11.55 PER BARREL. HOWEVER, THIS IS A SPECIAL PRICE FOR TURKEY AND CONFIDENTIAL

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GOT KNOWS VERY WELL THAT COMPANIES CANNOT GET CRUDE AT THAT PRICE.

5. CASANOVA SAID THAT AS AN ALTERNATIVE, MOBIL HAS OFFERED TO LET GOT SUPPLY CRUDE TO MOBIL REFINERY, IF GOT THINKS IT CAN GET CRUDE AT PRICE LOWER THAN SPECIFIED BY MOBIL. MOBIL WOULD UNDER SUCH AN ARRANGEMENT BE PAID A PROCESSING FEE BY GOT, AND WOULD THEN PURCHASE PRODUCTS FROM GOT FOR

DISTRIBUTION THROUGH MOBIL STATIONS IN TURKEY. CASANOVA
ACKNOWLEDGED THAT MOBIL HAD MADE SIMILAR PROPOSAL TO OT
DURING CRISIS EARLY LAST YEAR, BUT GOT WAS NOT REPEAT NOT
THEN INTERESTED.

6. CASANOVA IS TRYING TO HAVE ONE MORE MEETING WITH
MINISTER OF ENERGY KILIC TO SEEK FAVORABLE OUTCOME.
HOWEVER HE IS NOT REPEAT NOT VERY HOPEFUL. IF THAT
FAILS HE WILL SEEK APPOINTMENT WITH PRIME MINISTER
DEMIREL LATER THIS WEEK. CASANOVA PROMISED TO KEEP
EMBASSY INFORMED OF FURTHER DEVELOPMENTS.
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